

Innovation, Coordination, and Positioning: Locational Policies of Secondary Capital City Regions

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July 3, 2014

Paper prepared for the IPSA 2014, 23rd World Congress of Political Science
Panel: "Theorizing Capital City Politics"

19 - 24 July 2014, Montréal

Abstract

Capital cities that are not the economic centers of their nations – so-called secondary capital cities – tend to be overlooked in the field of political science. Consequentially, there is a lack of research and resulting theory describing their political economy and their formulated policies. This paper analyzes how secondary capital cities try to develop and position themselves through the formulation of locational policies. By linking three different theoretical strands – the Regional Innovation System approach, the concept of locational policies, and the regime perspective – this paper proposes a framework to study the economic and political dynamics in secondary capital cities.

***Acknowledgments:** This paper is part of the interdisciplinary Swiss National Science Foundation project, "Capital City Dynamics: A Comparative Analysis of Innovation and Positioning of Secondary Capital City Regions" which is a collaboration of Prof. Dr. Fritz Sager, Prof. Dr. Heike Mayer, Martin Warland and myself (all University of Bern). **Address:** University of Bern, Center of Competence for Public Management, Schanzenekstrasse 1, CH-3012 Bern, Switzerland, [mailto: david.kaufmann@kpm.unibe.ch](mailto:david.kaufmann@kpm.unibe.ch)

1 Introduction

Secondary capital cities (SCCs) face a multitude of challenges in an intensified global urban competition. Globalization scholars argue that capital cities in general, but even more so these SSCs, have lost importance and that global cities are much more critical to the functioning of the global economy because as nodal points they coordinate and control capital flows (e.g. Sassen, 1991). Similarly, rescaling theories imply that along with the up-scaling and down-scaling of state functions in global capitalism, SCCs disappeared from the central locus and have to arrange themselves in the periphery of global economy (e.g. Brenner, 2004). And yet, the recent economic crisis revealed that capital cities still play an important role because global capital flows are regulated within the context and institutions of nation states (Rodrik, 2011) that are for the most part located in capital cities. Important decisions about rescuing banks or bailing out industrial firms were not taken in New York City, Zürich or Detroit, but in Washington DC or Bern. In short, SCCs are economically inferior but politically superior.

What is a SCC? Hall (2006) detects seven types of capital cities and compares, for example multi-function capitals such as Paris and Moscow, global capitals such as London and Tokyo with political capitals such as Washington, D.C. and Bern that were established as political centers but that lack a more diversified economic base. Campbell (2000, 4) distinguishes among others between "the capital as dominant economic city in the nation" (such as Montevideo, Paris, London, Copenhagen) and "the capital as secondary city" (such as Ottawa, Bonn, Canberra, Ankara), pointing to the economic status and relative position of the capital within the respective nation. This division implies a lack of higher national-level or even international-level economic functions of SCCs (Hall, 2006), compared to cities with a strong economic and internationally important base (such as global information and finance in London or Tokyo). In the following, I define a SCC as the capital city of a nation, where there is at least one city within the respective nation or state, which is economically more important to the country than the capital city is.

Given the marginalized position of SCCs and their lack of international charisma, SCCs as a category have not been studied yet. The focus on this specific type of capital city allows for the isolation of the capital city functions from those that would exist in the urban economy of the capital city incorporate functions that go beyond those associated with the capital city. Similarly, Zimmermann (2010, 764) highlights the relevance of in-depth empirical research about SCCs because it should be possible to separate the effects of the capital city function from other factors which

make up the political economy of primary capital cities. Understanding how SCCs function and what role they play in a global era – particularly as national economies struggle during this time of global crisis – would deepen our knowledge about how global factors shape the local.

Capital cities feature a specific urban economy distinguishable by a profound state presence. Their specialized economy may function as knowledge economies which can constitute a so-called *Regional Innovation System* (RIS) (Asheim et al., 2011; Tödtling & Trippel, 2011). As any metropolitan area, SCCs have been increasingly subject to urban competition. Therefore, policy-makers in SCCs formulate locational policies specifically customized for the needs of their local economic sector-mix and within the given political-institutional setting. Thus, locational policies are place-specific and path-dependent development strategies. As a consequence, the traditional view of the capital city as the reliable host city of the nation state, which was mired in a comfortable dependency of the very state it was hosting, may not hold up anymore. This paper aims to explain how the formulation of such locational policies in SCCs could be theoretically approached what will help us to understand the development potential of SCCs.

Since the topic of SCCs has not been comparatively studied yet, this paper tries to construct an interdisciplinary framework that is informed by theories of economic geography and political science. The interplay between the local economy and the locational policies is at the core of the framework. The research questions that the framework should help to assess are the following:

- I What kind of locational policies do SCCs formulate and why are they formulated?
- II How and by which actors are those locational policies formulated in SCCs?
- III How do locational policies of SCCs interact with each other?

This paper is structured by the following outline. First, an illustrative part discusses the economic dynamics of Washington DC and Bern in order to understand the challenges of SCCs. Section 3 discusses the specifications of a RIS in a SCC alongside its potential development and diversification. The next section introduces the concept of locational policies. In the next step, a categorization scheme help us to bring order the concept of locational policies. Section 5 links the RIS approach with locational policies by applying a regime perspective on the policy-making process. The conclusive part tries to merge these three different theoretical strands into a dynamic framework which should help us to understand the formulation

of locational policies in SCCs.

2 The dynamics in the political economy of SCCs

The short empirical part of this paper is a discussion of the economic dynamics in Washington DC and Bern. Since this research project is in its initial phase, the empirical part is a review of secondary literature and documents instead of personally collected data. Thus, the empirical part serves mainly as an illustration of current challenges that SCCs have to face what should help in the theory building process of this paper.

2.1 Washington DC

The metropolitan area of Washington DC spans over three states (Maryland, Virginia and West Virginia) as well as the federal District of Columbia (DoC) as its center. The whole metropolitan area displays an impressive history of economic development based on its capital city status. Constructed in the swaps of the Potomac River it is now the fifth largest regional economy of the United States (Greater Washington Initiative, 2010, 4). It all started with policies that enabled learning and interaction between public units and private firms.

To a large extent, the economy of the metropolitan area Washington DC is characterized by the US federal government and dominated by government employment (Feldman, 2001, 866; Mayer, 2013). In 1970, around two-thirds of the local economy was directly or indirectly dependent on federal expenditures whereas half of the labor force was employed in the government sector (Feldman, 2001, 866). Federal employment is typically described as stabilizing and predictable in economic crises as well as in times of economic boom. Despite this static effect, Feldman (2001) shows in her article how the federal sector was decisive in creating a fully functioning entrepreneurial environment in the metropolitan area of Washington DC. Triggered through public procurement, outsourcing of federal services and knowledge spillovers from the public to the private sector, innovative clusters developed in the field of Internet and biotechnology (Feldman, 2001; Ceruzzi, 2008). As an example, the early technologies on which the internet is based emerged from research activities of the US Department of Defense (DOD). Researchers who have left the DOD and the military services constitute the early entrepreneurs in the information and communication technologies industry (ICT) whereas universities were absent from these early developments. Similarly, government agencies were the

most important sources for human talents in the early Biotech industry (Feldman, 2001, 871).

During the Carter Administration (1977 – 1981), a radical diminishing of the capital city employment size together with federal outsourcing occurred what was both motivated through upcoming *New Public Management* theories. In an interplay with US policy initiatives that favored small and technology-intense start-ups it created a fruitful environment for new firm formations. Feldman (2001, 877 – 879) highlights that several Acts in the 1980s provided the legal foundation of an increased dissemination of technology and knowledge between the public and the private sector. This dissemination was achieved through partnership opportunities for start-ups with public research agencies and licensing possibilities of intellectual properties produced in federally funded research agencies. Since 9/11 Washington DC experienced the rapid growth of another cluster this time triggered by the Department of Homeland Security. Private expertise is needed in the knowledge intensive counter-terrorism machinery which is mostly based on cyber security and cyber intelligence. Private firms in this sector rely on high-qualified employees and spatial proximity to decision-makers in the departments around Washington DC (Mayer, 2013, 140).

The Economic Value Added (EVA) of Washington DC is until now based on the interaction between the administration and the private sectors (Mayer, 2013). In these industries, this interaction has set an impulse that has become independent in the course. The Greater Washington Initiative (2010) observed between 1980 and 2008 a consisted rise in total overall federal spending from \$32 billion to \$166 billion. "Federal spending on services represented almost three-quarters of the \$75.6 billion in total federal procurement in Greater Washington in 2009" (Greater Washington Initiative, 2010, 24). An older study of Fuller (2002) calculated that every dollar contracted out by the federal administration to firms in the region of Washington DC generates an EVA of \$1.80 for the region. For 2002 the EVA that can be directly linked to public procurement contributed to 21% of the regional GDP. The metropolitan area of Washington DC also profited from the presence of the government during the recent economic crisis: "The District of Columbia benefited, along with the region's suburbs, from a relatively healthy economy in the second half of the decade. While the Washington DC metropolitan area lost jobs along with the rest of the country during the recession, the losses were smaller and the economy rebounded relatively quickly as a result of the federal government presence" (Sturtevant, 2013, 7).

In sum, it seems that several acts together with the availability of high-skilled professionals were initially decisive for the vibrant entrepreneurial environment in the metropolitan area of Washington DC. Additionally, the US self-conception as the global super power, the presence of important institutions like the World Bank and the International Monetary Fund and the huge amount of money spent in public procurement led to the place-bound development of specific clusters in the US capital. It seems that the capital city function has the potential to create an unique entrepreneurial environment through intelligent policy-making.

2.2 Bern

The economy of the canton of Bern is rather weak in a Swiss comparison. The often cited 85-100-120 formula highlights that the canton of Bern displays just 85% of the average economic strength of Switzerland, provides for 100% of the average public services and consequently features a tax burden of 120%. These figures translate in an annual structural deficit of CHF 450 Million. Given this poor figures, the canton of Bern receives CHF 1.3 Billion within the Swiss fiscal equalization scheme, what equals CHF 1'250 per capita. The city of Bern and its agglomeration are the main economic driver of the canton, as it produces 60% of the economic performance, but it suffers from the widespread rural and mountainous areas in canton. The Credit Suisse Locational Quality Indicator (Credit Suisse, 2013) ranks the city of Bern, without its vicinity, on the 21st rank of 110 Swiss regions. The canton of Bern finds itself in the lower midfield (rank 18 of 26 cantons). This comparison highlights the enormous differences in the topography, economic sector mix and population density of the canton of Bern, but as well points to the weak spillover effects that the core city of Bern is able to produce for its canton.

Overall, Bern profits from its status as the capital city. The presence of the federal administration generates development effects for the whole city-region (Mayer, 2013, 143). A study of 2004 (Ecoplan, 2004) calculates that the the capital city status accounts for an EVA of CHF 375 million for the city economy and CHF 305 million for the cantonal economy. It furthermore has produced around 4700 jobs in the city and 3900 jobs in the canton of Bern. The agglomeration of Bern accounts for one fourth of all public sector jobs in Switzerland (Credit Suisse, 2014, 15).

In a comparative study of external city affairs, van der Heiden (2010, 173) highlights that Bern is dependent on the national administration. As a consequence "good relations with the national scale are seen as highly important for the economic well-being of the city region, whereas inter-

national contacts are seen as much less important in economic terms". Consequently, Bern aims for a strong position towards the nation state. However, relying on good relationships with the federal level did not suffice in times of growing economic importance of metropolitan areas and limited public resources. In 2008, the federal government presented its national future land use strategy, in which three metropolitan areas were defined as core areas, namely Zurich, Basel and the Lémanique pole (Geneva/Lausanne), while Bern and vicinity were considered of lower importance as a mere urban network. This represented a downgrade with tangible implications in terms that Bern may be second priority in future infrastructure funding decisions by the federal government. The city-region of Bern reacted to this disadvantageous federal policy shift by labeling itself as the political center of the nation and as such differentiating itself to the economically strong metropolitan areas. End of 2010 and within just one year of planning, the region adopted the label *Capital City Region Switzerland* (CCRS) arguing that the capital should not to be measured by economic success only, but by its function as the place where the political decisions were made and implemented, which in turn helps other metropolitan areas to prosper.

Since the funding of infrastructure project, mainly the expansion of the train station, is of major concern to Bern, a Madisonian line of argument was often pursued.¹ It means that a capital should guarantee equal access to the seat of government for all citizens (Engstrom et al., 2013, 225). Translated to this day and age, this argumentation claims a higher significance of capital city regions by awarding funds for public transport and mobility projects. This kind of argumentation strategy of Bern worked out insofar as in the revised land-use planning strategy, Bern has been placed back in the top tier of metropolitan areas albeit with addendum of its function as the political center. The implemented land-use strategy now consists out of an odd 3 + 1 core areas formula. Whereas Bern profits from the first-tier benefits, it merely functions as an annex to the three metropolitan centers.

Bern managed to position itself with a political strategy. However, this was more an act of crisis management than a sustainable development strategy. Bern should avoid to solely rely on the static label of a capital city by starting to establish a functional RIS (Mayer & Sager, 2012). Such a process is now in its initial phase by identifying potential promising sectors within its local economy. High-tech firms and the Knowledge Intensive

¹ James Madison, co-author of the seminal 'Federalist Papers' (Hamilton, Madison, and Jay 2005) and fourth President of the United States (1809-1817), formulated a theory of representation arguing that the republican principle of 'equal right' should matter when determining the location of the capital.

Business Services (KIBS) already display some economic dynamics. However, coherent strategies to promote economic growth and innovation are not identifiable yet. In sum, Bern exploits its position as the political hub of Switzerland. However, Bern may be well advised if they focus more on policies that are fostering the local economy in order to obtain sustainable capital flows.

Comparing Washington DC with Bern is obviously bearing some risks. The size of the country and the population size of the two agglomerations are quite different. Mostly due to Switzerland's small scale, the capital city function is polycentric distributed over the whole country (Mayer, 2013, 147). Additionally, the peculiarity of the military-technological complex is important in the context of the US and is comparatively marginal in the Swiss case. However, both are federalist countries what manifest itself in high local tax raising power. As a consequence, the local level in both countries have to engage in effort to increase the local tax revenue.

This empirical part suggest that SCCs should employ strategies to attract mobile capital and not solely rely on their political and functional importance as the capital city. In the theoretical part of this paper, these empirical insights will be processed into a framework of locational policies for SCCs. This framework relies mainly on three theories: First, the RIS literature approaches the local economy by focusing on the exchange of ideas, knowledge and innovation what is fruitful in analyzing the interplay between the federal administration and the KIBS as contractors. Secondly, a categorization of locational policies will help us to distinguish different forms of local development strategies that SCCs potentially adopt. Thirdly, the regime perspective on policy-making links the RIS approach with categories of locational policies by offering an analytical lens on policy formulation in city-region.

3 Regional Innovation System

The RIS approach emerged out of economic geography. It helps to describe the development, the diversification and the interdependencies of regional economies. According to Doloreux & Parto (2005, 134), a RIS is "typically understood to be a set of interacting private and public interests, formal institutions, and other organizations that function according to organizational and institutional arrangements and relationships conducive to the generation, use, and dissemination of knowledge". Departing from this

definition, capital cities should display a distinctive type of RIS.²

3.1 Development and diversification of a Regional Innovation System

Based on the theory of comparative advantage (Ricardo's theorem), the smart specialization concept argues that regional growth and development is related to the ability of a region to focus on its competitive advantages. McCann & Ortega-Argilés (2011, 2), for example, note "that regions will be required to identify the sectors, the technological domains, or the major arenas of likely competitive advantage, and then focus their regional policies so as to promote innovation in these fields". Applying the smart specialization concept to the specific RIS of a SCC (SCC-RIS), the entrepreneurial development depends on the ability to link the regional economy to the capital city function and further diversify their regional economy. Diversification is a path-dependent process which is based on the preexisting technological portfolio of a region. The extent to what a SCC-RIS has smart specialized and thus have developed as an entrepreneurial environment, differs highly among SCCs. By conceptualizing the interaction between public and private actors as the crucial driver for diversification, between three development stages of a SCC-RIS can be distinguished³.

In an early stage, the CC-RIS is barely linked to federal organizations. The process of sectoral cluster formation starts to take place. However, the development of local clusters and the capital city functions can better be described as running parallel rather than interacting and complementing each other. So, the presence of federal organizations is not seen as a major opportunity to be grasped for cluster development. From the perspective of the administration, the solution of specific problems requires external knowledge and expertise. However, this type of interaction does not create spillovers into the private sector beyond this sparsely contacts. Bern would be an example that is now trying to leave this stage for the next one.

In an advanced stage, the ability to make use of the capital city function for the benefit of economic growth has increased. Spatial proximity between firms and public organizations has been actively used to strengthen strategic advantages. This occurred by connecting technological fields of

² Although the literature distinguishes between different types of RIS, characteristics of capital cities are not taken into account. The economic geography part of our research project about SCC's tries to fill this scientific gap.

³ However, such a development is by no means linear in nature. Spigel (2011) uses Ottawa as an example to demonstrate how capital regions can be thrown back due to external shocks.

competences to public organizations within the same field. The advantages are twofold: Firstly, by focusing entrepreneurial activities on government needs, firms increased their ability to attract government contracts. These companies have an excellent understanding of the public sector, meaning that they understand how to translate between public-administrative and economic rationales. Secondly, firms gain knowledge generated from the procurement process which are then dual used for customers other than the State. In an advanced stage, such spillovers from public private interaction to a solely private market are likely to increase.

In a mature stage, public procurement has contributed in many ways to establish a knowledge-based economic diversity. On the one hand, the knowledge economy is smart specialized, in the sense that the capital city functions are used to generate competitive advantages in the region. The private-public interaction works as a driver for innovation activities within certain fields of competences. On the other hand, the promoted areas of technological competences are highly diversified. New technological ideas, realized via start-ups or existing firms, have been added to the existing knowledge base. Even though the demand generated by public institutions is distributed across all sectors, one or two sectors that dominate the innovation system have emerged. For instance, in Washington DC, there is a concentration of innovation activities focusing on the Internet, biotechnology as well as security (Feldman, 2001; Mayer, 2013). In these industries, the interaction between the public and private sector has set an impulse that has become independent in the course.

The suggested ordering of different stages for a SCC-RIS consequentially rises the question how such an evolution of a SCC-RIS can be achieved. The RIS literature does not highlight kinds of steering mechanisms that policy-makers could adopt in order to foster an entrepreneurial environment in SCCs. The RIS approach is quite descriptive and it remains surprisingly vague about potential locational policies. Public policies should only be adopted to overcome different kinds of failures (Cooke, 2001; Asheim et al., 2011). Private actors must fail first, in order to legitimate public interventionist actions. In this regard, Tödtling & Trippel (2005) argue that systemic failure ought to be the foundation for policy instruments. Since this conservative view on policy interventions is not satisfactory, this paper turns towards public policy concepts which provide the proactive category of locational policies.

4 Locational policies

The term locational policy is based on the German notion of *Standort*: "it refers to a location for capital investment, and implicitly, to the structural competitiveness of that location relative to other possible locations within and beyond the national territory" (Brenner, 2000, 319). Locational policies aim to enhance the economic competitiveness of the targeted locality. More precisely, "the goal of such [locational] policies is clearly to position the city on the global scale of capital circulation by enhancing and presenting its attributes that are considered to be most competitive" (van der Heiden, 2010, 10). Locational policies try to further develop "locational advantages and productive capacities of cities and regions in their territorial jurisdictions as maximally competitive nodes in the global economy" (Jessop & Sum, 2000, 2294). Thus, locational policies rely on the identification, the development and the promotion of place-specific assets. The comparative advantage is the result of the place-bound and path-dependent interplay of the specific economic sector-mix and the political-institutional setting of a city-region (Hall & Soskice, 2001). The national scale of competition is for SCCs far more important than the global scale. Only on the national level are SCCs able to transform their singularity as the capital city into their comparative advantage.

Locational policies are not easy to identify, distinguish and categorize. Locational policies involve far more than just economic development initiatives (Stone, 2012, 19). They appear in complex bundles and they do not occupy a narrow span of policies. Thus, we need a catalogue that helps us to analyze and disentangle locational policies. In the following, locational policies will be ordered and divided into four distinctive categories namely, *innovation policies*, *coordination*, *attracting money* positioning strategies and *asking for money* positioning strategies. These policy categories are distinguished by their orientation (inward vs. outward) and their dimension (economic vs. political) as depicted in Table 1. It is important to note that these locational policies are not operating in isolation from each other. They are often mutually dependent and interconnected in a complex way. The following paragraphs discuss locational policies by referring to SCCs.

4.1 Innovation policies

The economic performance of capital cities can be influenced by regional innovation policies. According to Doloreux (2002, 248) those policies "are intended to improve interactions between the knowledge infrastructures, firms, and institutions". Along the same lines, Tödtling & Trippl (2005) emphasize the importance of policies for shaping innovations. More specif-

Table 1: Locational policies categories

Dimension	Orientation	
	Inward	Outward
Economic	Innovation policies Recipient: RIS Aim: Developing and diversification of the RIS	Attracting money Recipient: Firms and residents Aim: Attracting mobile capital and taxes
Political	Coordination Recipient: City-region Aim: Coherent region, increasing the effectiveness of the other locational policies	Asking for money Recipient: Upper level political entities Aim: Justifying and increasing federal payments and money transfers

ically, they consider that innovation policies highly influences the knowledge generation/diffusion and knowledge exploitation of a RIS. Emphasizing the spatial proximity of interactive learning actions, the RIS approach argues that innovation policies are most effective on a regional level (Asheim & Gertler, 2005).

In a SCC-RIS innovation policies are not only derived from system failures. The state takes an active role in innovation processes as the entity that demands products and services from private sector actors through the public procurement process. Lazonick & Mazzucato (2013) assert that the classic image of the state and businesses is reversed by public procurement for innovation: in this case, the state is occupying the leading role in radical innovations, and bears hefty risks. Companies, however, wait until the risk has declined, and only enter the market at a later stage. As another example of innovation policies, Feldman (2001, 877 – 879) highlights several Acts in the 1980s as decisive for the diversification and development of Washington DC’s RIS. These Acts provided the legal basis of an increased dissemination of technology and knowledge between the public and the private sector. Partnership opportunities of start-ups with public research agencies were created and firms ”began working for the government but then realized that they could adapt their products for dual-use commercial markets” (Feldman, 2001, 875).

4.2 Coordination

Urban economies and linkages go far beyond the core city (Sassen, 2001). The coordination of actors and policies in city-regions is conditioned by

the mismatch between the functional and the political spaces in metropolitan areas (van der Heiden, 2010, 28). According to Frederickson (1999, 706), the interdependency of jurisdiction, organizations and institutions is the densest in metropolitan areas what makes coordination necessary and meaningful. Thus, coordination is a major concern of metropolitan governance.

The double-logic of competition implies that a competition between regions as well as a competition within a region can exist. Competition within a city-region is a threat for the economic competitiveness in the competition between regions. Any internal dispute over capital investment at the regional scale consequentially weakens the economic competitiveness of the whole region. The worst case scenario of within competition would be that different localities engaging in beggar-my-neighbor strategies within a city-region (Keating, 1995, 20; Sager, 2002, 64 – 65).

However, Kübler & Piliutyte (2007, 365) found in a comparative analysis of international activities of city-regions that a metropolitan-wide commonality of interest regarding its promotion exists. This suggest that locational policies may be among a rare numbers of urban policies in which conflicts between core cities and suburban municipalities are mostly absent. It would mean that coordination does not engage so much in solution finding but rather in common lobbying efforts and coherent policy implementation. Thereby is effective coordination not achieved through institutional consolidation but rather through cooperative arrangements that stabilizes networks of policy-relevant actors (Kübler & Heinelt, 2005, 10; Sager, 2006, 434).

4.3 Positioning strategies

The external part of cities locational policies can be labeled as positioning strategies. In the context of SCCs, it is important to distinguish between two different types of positioning strategies. This distinction is crucial because positioning strategies differ based on the recipients. Positioning strategies of SCCs have typically two types of recipients: firms/residents and upper level political entities. This helps to further distinguish between two extreme poles of money accumulation strategies: taxes and transfer payments. These differentiations lead to the proposed dualism of *attracting money* and *asking for money*. Towards firms and/or residents, SCCs should have mostly economic arguments in hand whereas towards upper level government entities SCCs should play the political card. It is important to grasp these two strategies not as a dichotomy that is mutually exclusive. On the contrary, most promising is to combine these two

strategies since SCCs should position themselves towards both of the main sources of capital. By combining these two strategies, SCCs try to escape a total dependency of the nation state. However, employing *attracting money* strategies seem to be only promising when you have a developed and therefore credible RIS.

4.3.1 Attracting money

Positioning strategies can target firms and/or mobile capital. Again, the basic idea is using the singularity of capital cities in the national urban system. *Attracting money* strategies try to lure investments, mobile capital and firms into a SCC-region. From an entrepreneurial perspective, the interaction of the public sector with the private sector is interesting since this specific economic sector mix can only be found in capital cities. It is a complex interplay and clustering of firms in political consulting, lobbying, IT and defense and national institutions that defines the knowledge-intensive economic sector mix in SCCs. *Attracting money* strategies highlight the entrepreneurial potential of linking the regional economy to the capital city function. *Attracting money* strategies are dynamic since they aim at enlarging the local tax revenue pool by inducing firms, workplaces and taxpayers. They play the economic card and accept that a SCC has to enter, at least on the national scale, into interurban competition. It emphasizes the innovation potential of its own comparative advantage and the entrepreneurial environment of the city-region. In that regard it is a neo-classical strategy enriched with modern concepts from contemporary economic geography (learning, innovation, knowledge spillovers etc.).

4.3.2 Asking for money

A state-orientated positioning strategy stresses its singularity and its functional role as the political center. Intended is the justification or possible increase of federal money transfers and compensation payments for capital city charges. This *asking for money* strategy guaranties the SCCs a protected status in the national urban competition what makes them less vulnerable to economic pressure. When SCCs employ such a strategy, they completely avoid the international interurban competition and partly avoid the national interurban competition. On the national scale, asking for money strategies argue that the capital city should not be measured by economic success only, but by its function as the place where the political decisions are being made and implemented, which in turn help other metropolitan areas to prosper. The most important consequence is that *asking for money* is not engaging in generating additional revenue. It

does not try to convert its place-specific assets into external mobile capital from venture capitalists, firms or individual tax payers. *Asking for money* strategies have a preservative rather than a developing focus what leaves a SCC extremely dependent on the nation state, its administration and its employees. Thus, such a positioning is state-dependent and rather static. Jessop & Sum (2000, 2293) assesses such strategies as being unsustainable in the long term and furthermore "pose an awkward dilemma over the trade-off between maintaining local autonomy and accepting resources that come with restrictive strings attached". For a SCC this situation of juggling local and national interest may be not such an awkward situation since it is a constant feature of its capital-city status.

It is important to note, that these locational policies are not operating isolated from each other. In the conclusion, the interdependencies of locational policies are highlighted in order to understand the dynamics behind the development of SCC-regions.

5 Regimes

The RIS approach remains vague about local decision-making and steering possibilities of the local economy. Locational policies offer a framework that helps us to classify different types of local development strategies but they do not tell us anything about their formulation process. Thus, it remains so far theoretically unclear how these two concepts interact with each other. Both concepts are engaged in promoting the economic attractiveness of a city-region. Local decision-making in this area is most likely not following the formal line of authority. Business influence within locational policies is relatively undoubted (Swyngedouw et al., 2002). The incorporation of private actors is crucial, especially if we consider that city-officials should strive for more than just routine service delivery (Stone, 1989, 183-184; 219). The regime approach particularly allows for such a diversity of actors in the decision-making process. A regime is the link between the structural pressures produced by the RIS and the hence formulated locational policies. A regime is able to mediate and process this pressure and formulate local tailored responses in an increased global urban competition. Regimes are thereby operating at the crucial point of inquiry between independent variables and policy outcomes (Mossberger & Stoker, 2001, 812; Stone, 1989, 6).

The urban regime approach emerged through inductive theory building as one of the most prevalent frameworks for the analysis of decision-making processes in cities (Mossberger, 2009, 40; Pierre, 2014). The strength of

the urban regime approach is the analysis of how urban decision-makers mediate structural pressures. Stone & Whelan (2011, 859-860) emphasize that by stressing the mediating role of regimes "the point is not that cities somehow function independently of external factors, but that translocal forces are mediated through local actors in ways that are far from trivial". Thus, urban regimes are both the products of and mediating institutions between economic and political institutional structuring and represent the local responses to a shifting urban political economy (DiGaetano & Klemanski, 1999). In an early regime approach, Stone (1989) emphasizes the importance of informal arrangements by which public and private actors function together in order to have the capacity to govern. Urban regimes are informal but relatively stable groups "with access to institutional resources that enables it to have a sustained role in making governing decisions" (Stone, 1989, 4).

However, Pierre (2014, 13) criticizes that the classic urban regime theory is anachronistic in the time of post-industrial globalization: "Urban regime theory does not consider or conceptualize several of the societal transformation of the 1990s and early 2000s like continuing globalization, the emergence of a postindustrial city with economic growth tied to the service sector; the internationalization, vertical integration (...)". This objection is relevant for SCCs since one main feature of their economy, the KIBS, are a product of these contemporary changes. May & Jochim (2013) offer a contemporary and alternative lens to study policy-making. They conceptualize regimes as the governing arrangements for formulating and carrying out policies which are addressing a specific set of problems. The authors suggest that "rather starting with a policy, one starts with the particular set of problems (...) and seek to depict the ideas, institutional arrangements, and interest that constitute the governing arrangements for dealing with the problem" (May & Jochim, 2013, 429). This heuristic enables a "backward mapping of governing arrangements for a given policy problem" (May & Jochim, 2013, 427). Since SCCs mainly focus on improving their marginalized economic position, locational policies are prone to be formulated from a problem-oriented perspective.

In contrast to Stone (1993) who offers a typology of urban regimes, the policy regime approach suggests a constellation of "three forces that comprise a regime: ideas, institutional arrangements, and interests" (May & Jochim, 2013, 434). First, ideas matter because they create a common understanding of a policy purpose and serve as an integrative force. Ideas constitute the agenda that is pursued by a regime and this agenda defines the frame in which the formation of locational policies happens. As an example, a SCC can establish the core idea to present itself as a dy-

namic and entrepreneurial friendly region for KIBS. As a consequence, the regime unifies actors that are committed to draft innovation policies that foster knowledge spillovers between the federal administration and KIBS. Secondly, "institutional arrangements structure authority, attention, information flows, and relationships in addressing policy problems" (May & Jochim, 2013, 435). It is thereby interesting through what modes of interaction and through what kind of bodies the cooperation of a regime is ensured. Particularly the cooperation of public and private actors needs structures beyond command and control. As examples serve informal coordination bodies of the capital-city regions mentioned before (e.g. *Capital City Region Switzerland*). Thirdly, interests help to explain the governing capacity of a regime (Stone, 1989, 21). "The bases of support are in principle derived from the affected beneficiaries. But relevant stakeholders may or may not have the same sense of urgency and the same degree of 'buy in' to the purpose of a policy regime" (May & Jochim, 2013, 436). Stone (1993, 12) stresses that actors can display dynamic policy preferences because actors are purposive in the sense of wanting to be involved in achievable goals. Actors in a regime are drawn by small opportunities which "encompass the opportunity to be purposeful (even when the purpose is a small one) and the opportunity to accomplish a task (even when the task is a narrow one)" (Stone, 1989, 232). This implies that besides the mere safeguarding of interests the motivation to be part of a regime can be to avoid nongovernance since nongovernance is a form of powerlessness (Stone, 1989, 231). Table 2 summarizes the policy regime lens.

6 Putting it all together: Constructing a dynamic framework

In this conclusive part, the three theoretical strands parts are merged into a framework that should help to approach the research questions of this paper. In order to capture the interdependencies between the presented concepts, we start with the development of the SCC-RIS.

The different stages of the SCC-RIS restrict or enable the adoption of attracting money strategies. SCCs cannot compete with the top-tier cities by referring only to a potential entrepreneurial environment within its RIS that has not developed yet, because they would be overshadowed by the mere economic power of the other cities. Thus, for a less developed SCC-RIS in the early stage, the only strategy left is to play the political card and to insist on its functional role as the one and only capital city. This strategy guarantees singularity in the national urban system and moves the focus away from its economic inferiority and towards its political superiority. The asking for money positioning strategy can always be applied

Table 2: Policy regimes^a mark

Components and Relevance	Illustrations	Analytical questions
Ideas: Shared commitments concerning policy purpose Provides the glue of a regime	"Entrepreneurial capital city environment" "Political hub" "The one and only capital"	What is the core idea? Is it endorsed by key actors and by those who carry out the policies? Has it been reinforced through statements and actions of policymakers and policy entrepreneurs?
Institutional arrangements: Structures of authority, modes of interaction, and organizational relationships Fosters structure-induced cohesion of actors and policies	Coordination structures between public and private key actors (e.g. Capital City Region) Horizontal coordination within the city-region and policy coordination	What are the institutional arrangements? What are the modes of interaction between the key actors? How does the regime try to ensure policy coherence? How does the regime deal with within competition in the city-region?
Interests: Actors preference to engage in a regime Establishes the governing capacity of a regime	Formal authority in local decision making Promoting and assertion of direct interests General interest in a strong local economy	What are the on-going sources of interest support of the regime? Which actors participate with what kind of motivation? Are there actors that participate to avoid nongovernance?

^a Source: Based on May and Jochim (2014, 434) with own adaptations

towards upper level political entities. It leaves, however, a SCC in the dependency of the nation state with hardly any room for independent local value creation.

Vice versa, a mature RIS that is well diversified offers the potential to enter the interurban competition by referring to its entrepreneurial environment (attracting money). If the public-private interaction has led to an entrepreneurial environment for firms that explicitly search the contact with federal institutions, SCCs can credibly occupy this niche on the national level. Thus, we end up with two rather static assumptions of how the RIS is influencing positioning strategies of SCCs: First, the preliminary assumption that the more a SCC-RIS is developed and diversified, the more the positioning strategy is able to emphasize its specific entrepreneurial environment (attracting money) alongside its capital city function (asking for money). Second, in a weak developed and diversified SCC-RIS, the positioning strategy can only emphasize the capital city function (asking for money).

Assumption 1.1: The more a SCC-RIS is developed and diversified, the more successful are *attracting money* positioning strategies.

Assumption 1.2: In a weak developed and diversified SCC-RIS, only *asking for money* positioning strategies can be successful.

These two preliminary assumptions are static and imply a deterministic ex-

planation of positioning strategies. In such a setting, policy-makers would not be equipped with agency nor with capacity to gauge policy options. However, positioning strategies are not the only locational policies at hand. As a strategic option, innovation policies are directly aiming at the needs and problems arising from the SCC-RIS. Different innovation policies can launch, initiate and stimulate the development process of a RIS. Especially through facilitating links to federal institutions, innovation policies can make use of the public sector as a driver for the diversification and development of the SCC-RIS. Thus, successful innovation policies enable policy-makers to adopt both categories of positioning strategies. To that extent problem-oriented policy-makers are engaged in drafting innovation policies with the goal to enable the political and economic empowerment of SCC-regions. Innovation policies can lay the foundation to move a SCC's economy from a nation state dependency towards more local autonomy.

Assumption 2: Successful innovation policies that develop and diversify a SCC-RIS enable a SCC to adapt *attracting money* positioning strategies alongside *asking for money* positioning strategies.

Coordination, as the last locational policy, aims to increase the effects of the other locational policies. Fragmentation in the policy formulation and or implementation process has the potential to sabotage possible positive effects of locational policies. Municipalities within a city-region should back up the main locational strategy and cooperate in the implementation process. Such policy coherence within a city-region needs negotiation skills as well as lobbying because the coordination bodies are based on the volunteer involvement of its members without any effective way of policy enforcement. Therefore, coordination tries to ensure that innovation policies and positioning strategies have a facilitative effect on the region's economic prosperity. In that combination, coordination may produce welfare gains for a SCC-region. Coordination has different purposes in different stages of the RIS.

In an early stage RIS, coordination is crucial for pooling lobbying efforts in order to increase the chance of receiving funding for specific projects. If politicians of the whole region cooperate, it significantly increases the political leverage. In the advanced and the mature stage, coordination is not only important in terms of asking for money. The more complex and diverse the implemented innovation policies and asking for money strategies get, the more crucial is coordination to ensure coherence in the implementation process within the city-region.

Assumption 3.1: In a weak developed SCC-RIS, coordination mainly serves for lobbying purposes what increases the likelihood for *asking for money* positioning strategies to be successful.

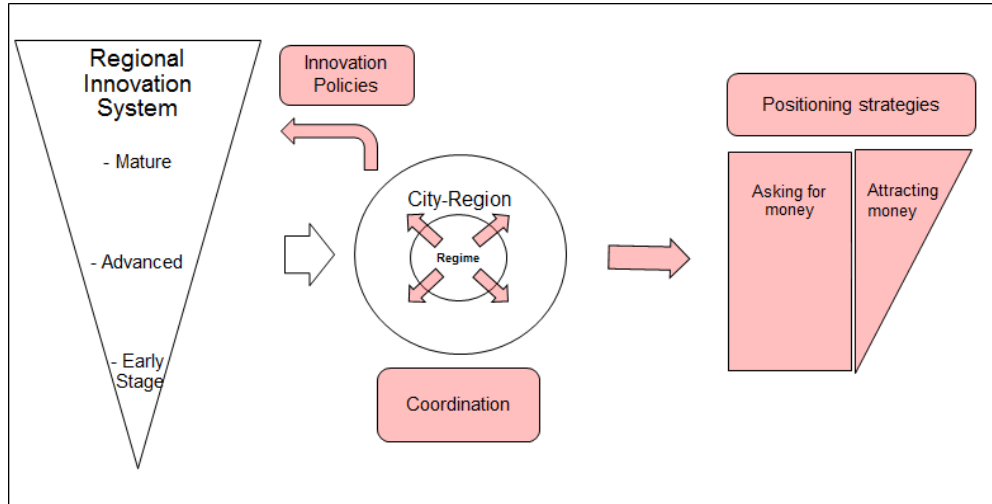
Assumption 3.2: If a SCC-RIS starts to develop, coordination becomes crucial in order to coherently implement *innovation policies* and *attracting money* positioning strategies besides *asking for money* positioning strategies.

In a nutshell, the availability of different locational policies and the agency of the regime (possibility to choose between different locational policies) guarantee for a dynamic framework of policy-making in SCC. Table 3 sums up possible interdependencies between the stages of a SCC-RIS and the different locational policies. Figure 1 is the graphical illustration of table 3.

Table 3: Inderdependencies between SCC-RIS and locational policies

		Locational policies			
Stages of RIS		Innovation policies	Attracting money	Coordination	Asking for money
	Early Stage	Stimulating interactive learning	Not possible	Essential for lobbying	Possible
	Advanced	Increasing knowledge diffusion	Partly possible	Essential due to the complexity of policies	Possible
	Mature	Tapping into external knowledge, spurring new clusters	Possible	Essential due to the complexity of policies	Possible

Figure 1: Framework of SCCs locational policies, own illustration



By acknowledging the interdisciplinary characteristic of the research arena, by the incorporation of non-state actors into the analysis, by highlighting the simultaneity of structure and agency and by using a comparative case study framework, this research project incorporates several fruitful points that makes it an analysis that is both grounded in and has relevance to contemporary urban politics (e.g. edited debate of Ward et al., 2011). It

is expected that research based on this framework will find considerable demand among policymakers and politicians since these regions seek to find their place within a changing global context and need basic knowledge beyond applied research results for their strategic decision-making.

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